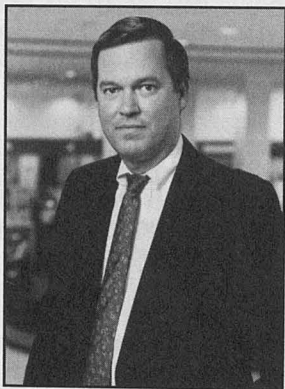


KENTUCKY AVIATION AND ECONOMIC DEVELOPMENT

Michael Flack

Good morning. I appreciate the opportunity to be with you today and to talk about my favorite subject. Of the five modes of transportation, aviation is certainly one that is dynamic and exciting. In the past few years, aviation has undergone quite a transformation through a process called deregulation. It has not always been a bed of roses, and some have rushed to call deregulation a failure. Still, one fact remains clear: there are more people traveling by air today than ever before.

Kentucky, like most states, has seen significant growth in recent years. In 1989 alone, there were over 11.5 million passengers traveling through airports in Kentucky. Thanks to UPS and others, we also have seen great increases in air cargo and air express.



As a result, we have experienced a severe lack of air traffic control personnel, equipment, runways, terminal space, access roads, etc. That shortage of personnel, equipment, and facilities is straining the capacity of the national air transportation system to the point that the system is being hard pressed to effectively meet the needs of its users.

As demands of the system continue to increase, our investment in aviation must keep pace. Fortunately, there have been some recent improvements in federal aviation legislation. These improvements make us ready to take the biggest step forward in system enhancement since deregulation was enacted in 1978.

Lately, there has certainly been a lot of attention paid to the budget process and taxes. But there has been very little talk about the expenditures side of the formula. The federal budget, just agreed to by Congress and the President, included legislation for a five-year program for aviation facilities development. Let me quickly point out that this development will be funded by user fees through the Airport and Airways Trust Fund. The U.S. Congress and the President approved funding for this program at levels higher than ever before. In fact, the authorization for airport and airway development in fiscal year 1991 is set at \$1.8 billion, an increase of almost 30 over 1990. The program also includes provisions allowing commercial service airports to raise additional funds from passenger facilities charges and special set-

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aside funds for capacity and safety enhancements at small-hub airports, non-hub airports, and general aviation airports. There are also provisions to increase the capacity of the airway system by hiring additional air traffic controllers and developing and acquiring newer, more sophisticated aircraft guidance and control systems.

All of this is good news for Kentucky. We must realize the vital role played by airports in their own respective economic systems and in the statewide system as a whole. In this state, we have a medium-hub airport in Covington (and it will be a large hub very soon with Delta's newly-announced expansion); two small-hub airports, one in Louisville and one in Lexington (of course, Louisville will grow to be a medium-hub airport very soon); and two non-hub airports, one in Owensboro and one in Paducah. We also have a number of excellent general aviation airports across the state, including Murray, Hopkinsville, Bowling Green, Somerset, Frankfort, Big Sandy Regional, and others.

Kentucky's aviation system is important to all of us for many reasons, usually as described in various economic impact statements. One such study was released last year by the Partnership for Improved Air Travel. The benefit of aviation to Kentucky was highlighted by the following three indicators of economic activity:

1. In 1987, over \$4.5 billion was generated by the purchase of goods and services in Kentucky as a result of aviation activity.
2. Included in the economic impact estimate for 1987, over \$1.25 billion in wages and salaries was paid to persons employed by the aviation industry (directly or indirectly) to deliver the final product of aviation services.
3. Earning those wages and salaries were over 84,000 people employed in the aviation industry, plus those who are employed in sectors that support aviation--hotels, restaurants, fuel suppliers, etc. (Recent increases by UPS and Delta are not included in these figures.)

Last year a friend of mine compared airports to highways. He said that airports, like highways, are strips of pavement where trips begin and end. But there is more. Often we talk about farm-to-market roads, interstate highways and others. The concepts are the same for aviation. Airports, airways, and airlines provide vital links for communities of all sizes with economic opportunity. Even pleasure travel is considered an economic activity in this context. These economic opportunities include the marketing of local goods and services, enticing industrial and commercial development, and so on. Access to the aviation system also provides a community with a competitive edge in these activities over those communities without comparable facilities.

All of these perspectives highlight the needs of aviation in Kentucky. In order to continue the economic development currently being enjoyed in some areas--and to promote similar developments throughout the rest of the state--we must work toward the following goals:

1. A renewed statewide emphasis on aviation--facilities and services--as an integral segment of any and all economic systems.

2. Establishment of a state Aviation Trust Fund to control funds gained from aviation user fees and taxes and to use those funds for development and enhancement of facilities across the state.
3. Additional incentives for airlines and other providers of aviation services to encourage additional development of facilities, services, flights, competitive fares and rates, etc. (Remember to "dance with the one that brung you.")

There is a lot of good news for aviation in Kentucky. The new federal budget will provide more funds than ever before for capacity and safety enhancements to the system. UPS is the state's largest employer and continues to grow. Delta is doubling its operation at the Greater Cincinnati Airport, and it may be larger than the one in Atlanta in a few years.

We must view the state aviation system as a whole and we have to remember how that system fits within, and supports, the state economic system. Our aviation system must continue to grow and evolve in order to provide that competitive edge that is so vital to our continued economic well-being. With proper planning, coordinated efforts, and appropriate levels of funding, we can develop a strong aviation system that will serve us well and meet the demands of the future.

Again, I appreciate the opportunity to speak with you today. I look forward to continuing to work on behalf of the entire transportation system. Thank you.

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